



PSC NEWS

Missouri Public Service Commission

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PUBLIC SERVICE COMMISSION SAYS NO TO LACLEDE GAS COMPANY CATCH-UP/KEEP-UP PROPOSAL

Jefferson City (January 16, 2003)---The Missouri Public Service Commission has determined that Laclede Gas Company's proposed Catch-Up/Keep-Up program would result in most of their customers suffering a rate increase and be denied a corresponding rate offset related to reductions in uncollectible expense and other costs until new rates are ordered following Laclede Gas Company's next general rate case. As a result, the Commission has denied Laclede Gas Company's tariff which sought to implement its Catch-Up/Keep-Up program.

The Commission, as well as other parties in this case, believe there is a need for additional energy assistance for Laclede's low-income customers. The Commission has determined, based upon the evidence in this case, that the Catch-Up/Keep-Up Program is not the appropriate mechanism. The Commission stated in its order: "The Commission appreciates the plight of low-income ratepayers and has previously authorized, and continues to support, a variety of other low-income support projects."

The Catch-Up/Keep-Up proposal filed by Laclede Gas Company is an arrearage forgiveness program for eligible, low-income customers. While the Commission strongly believes that an arrearage forgiveness program is worthy of consideration, Laclede's proposal is flawed.

The Commission stated in its decision: "A properly designed low-income assistance program should benefit all stakeholders by promoting conservation and by assisting low-income consumers in reducing their energy burden. The low-income customers may then be able to pay their utility bills, thereby reducing utility costs for all ratepayers."

The Commission found several problems with the design of the proposed program. "Laclede's arrearage Program is not properly designed to address the low-income consumer needs for rate affordability and usage assistance. The success of the Program is dependent on the modification of the behavior of the low-income customer. The expectation that low-income customers in the Program will become better able to pay their utility bills may be unrealistic." The Commission continued: "Laclede's

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proposal does not provide any means to assist participants with payment of current gas bills, although eligible customers must apply for assistance from available sources.”

Adoption of the program would lead to a rate increase for Laclede ratepayers. Laclede proposed funding the program through a surcharge in the PGA/ACA (Purchased Gas Adjustment/Actual Cost Adjustment) process that is the equivalent of raising the customer charge by between 62 cents and \$1.00 a month. “Since the Program raises rates for all customers by \$6 million,” the Commission stated, “it could harm those customers who just barely manage to pay their bills, but have not yet fallen into an arrearage situation.” In addition, the Commission noted that funding Catch-Up/Keep-Up through the PGA/ACA mechanism would be unlawful since it is attempting to pass non-gas costs through the PGA/ACA mechanism which is limited to the recovery of gas costs.

Implementation of Catch-Up/Keep-Up would afford Laclede Gas Company temporary double recovery. The Commission noted in its decision that Catch-Up/Keep-Up would have allowed Laclede to divert a portion of the pipeline discounts that would otherwise be passed on to all ratepayers, and to then use those discounts to reduce the company’s bad-debt expense. “Thus,” the Commission stated, “Laclede would receive a double recovery because bad-debt expense is already included in permanent rates.”

The Commission has encouraged all parties in this case to meet and possibly present a different proposal addressing the needs of low-income customers.

Laclede Gas Company serves approximately 635,450 natural gas customers in the City of St. Louis as well as the Missouri counties of St. Louis, St. Charles, Butler, Iron, Franklin, Jefferson, Madison, St. Francois and Ste. Genevieve.

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